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On money and other
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ON MONEY

AND OTHER

TRADE QUESTIONS

BEING A REVIEW OF

MR. WALLACE'S SPEECH

ON AN INCONVERTIBLE CURRENCY.

BY

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PREFACE.

TO THE READER :

The writer of the following pages feels, from his own experience, that it is impossible to understand *trade* questions without a complete mastery of the functions of money. Did the masses once thoroughly understand these, political jugglers could no longer conjure them into believing erroneous doctrines on commercial questions. He can assure the reader that he has no party interests to subserve, no hobby to bolster up. Although himself an advanced Liberal, he has no party alliances, no partnership in any "machine" to hamper his judgment or prejudice his opinions. His sole desire in the present undertaking is to examine the machinery and working of an important social problem. He impugns not the motives of those holding opinions differing from his own, nor has he any reason to doubt their sincerity. How far he has succeeded in brushing away the cobwebs which lie strewn in the path of the earnest inquirer after truth, he leaves to the judgment of an impartial public, humbly bowing to its decision, and scrupulously abiding by its verdict. He has devoted but a very few days to his task, so that it goes forth with all its imperfections on its head. His sole motive is to add his mite to the general stock of human happiness. He will feel amply rewarded should this feeble attempt be the initiative of a discussion from which correct principles are evolved on a question so deeply affecting every member of the human family.

THE AUTHOR.

Ottawa, May, 1882.

ON MONEY AND OTHER TRADE QUESTIONS

BEING A REVIEW OF MR. WALLACE'S SPEECH ON AN
INCONVERTIBLE CURRENCY.

PRELIMINARY REMARKS.

Before entering on a review of Mr. Wallace's arguments in favor of an inconvertible currency, it is pertinent to define some expressions of frequent occurrence in the discussion of economic questions. *Value* is one of these. There are two kinds of value—*value in use* and *value in exchange*. It is in the latter sense the expression is used by economists. A thing to have value must have cost labor, either in appropriating it, or in producing it, and sometimes in preserving it. A thing which can be got without labor, even though amongst the most useful of substances, commands no value, because a person will not give anything useful or agreeable, which he possesses, and which has cost him labor for that which he can get without. The value of a commodity is its purchasing power, or the quantity of any one thing or of things in general, for which it will exchange. If a barrel of flour will exchange for a pair of boots, then one value of a barrel of flour is a pair of boots. The *price* of a commodity is its value in money, or the amount of money for which it will exchange. If a bushel of wheat is sold for a dollar, then the price or money value of the bushel of wheat is one dollar.

I have not in this paper attempted to classify Mr. Wallace's arguments, as, from their incoherence and inconsistency with one another, they are not susceptible of an intelligible classification. Moreover, their crudities and fallacies are much more effectually exposed by taking them *seriatim* than by any possible groupings.

FACTS WHICH ARE NOT FACTS.

Says Mr. Wallace (*Hansard*, 24th April, 1882):—

"I submit, Sir, two propositions which I think will not be gainsaid. One is, that it is a fact that the periodical panics or crises which sweep over the commercial world, bringing ruin and misery in their train, are caused by a defective monetary system; and the other fact that there is nothing without a cause."

How can *nothing* have a cause? His latter fact is a very loose, unscientific mode of expressing the law of causality, or the sequence of cause and effect. The other so-called fact is but a bald assertion, and so little a

fact that it is universally denied by every one conversant with the phenomenon called a commercial crisis.

COMMODITIES NOT MONEY EARNED.

"Money is unlike anything else. There is no such thing among the productions of nature as money. Men cannot make money. They can earn it."

Is there any such thing among the productions of nature as a loaf of bread? or an axe? or a plough? or a sheet of paper? Very few natural products are fit for the use of human beings without undergoing many changes, often a complete transformation. If men cannot make money, pray, who does? Men earn commodities not money. The farm laborer, for example, earns farm produce, and he can earn nothing else, for farm produce of some kind is the ultimate result of his labor. The factory hand earns a manufactured article, for that too is the ultimate result of his labor. A tacit co-partnership exists between the farmer and his workman. The former furnishes the capital and the latter supplies the labor. The combination of labor and capital is necessary to production. The farmer and the workman share the product among them on the terms implied in the deed of partnership. In the same way the factory hand shares with the capitalist the manufactured article, which is the product of the labor of the one combined with the capital of the other. The miner in the precious metals similarly shares with the capitalist the product of their united labor and capital, which is gold or silver. The miner, it is seen, is the only person who can earn money, for he earns the commodity from which money is made. The farmer and the manufacturer instead of giving their workmen their share of the product, whether wheat or cloth, in these commodities, sell the articles for them, and hand them their share in the form of money. This is not only a great convenience, but a great gain to the laborers, for it saves them the time which they would necessarily lose in disposing of their share, while entailing no additional loss on the farmer and manufacturer, who are sellers anyhow.

COINING A PUBLIC GUARANTEE OF WEIGHT AND FINENESS.

"If a man makes money and puts more gold or silver into it than should be in the coin he is making, it is called a crime, and he is liable to punishment."

Can anything be more absurd? Gold and silver became a medium of exchange long before coining was thought of. Coining necessarily grew out of their adoption as money, being a contrivance to save weighing and assaying at each successive exchange. The stamp is simply a public guarantee, often the only guarantee, which the receiver of the coin can have of its genuineness, or that it is of the standard weight and fineness. It is well known that if a gold coin is worn or clipped, its value is depreciated in exact proportion to its loss of weight, the stamp to the contrary notwithstanding. An ounce of gold, whether as coin or bullion, is precisely of the same value, at least, it is so where the state coins without a seignorage. Coining is prohibited and made penal, not because the un-

authorized coins contain more of the precious metals than the legal standard, but for precisely the opposite reason—to prevent the circulation of spurious coins. No one would be such an idiot as to put more gold in a sovereign than he could sell it for. But though a man made such a clumsy mistake, he could sell the coin for its full value according to weight. But every vagabond, and even some who would aspire to pass as honorable citizens, would like to put less than the standard quantity in the coin, for it would be an easy way of amassing a fortune at the expense of the receivers of spurious coins if his nefarious conduct passed undetected. It is to prevent this kind of fraud that coining has by common consent been prohibited, and the issuers of unauthorized coins declared criminals.

USE OF MONEY TO FACILITATE EXCHANGE OF COMMODITIES.

“Its use is to measure values and facilitate their exchange.”

Facilitate the exchange of what? Of values. Commodities, not values, are those which exchange for one another. Value is a relation between two or more commodities, of which cost of production is the chief determining element. If a bushel of wheat will exchange for neither more nor less than five yards of cotton, then the bushel of wheat and the five yards of cotton are at that particular time and place of the same value.

SOME EFFECTS OF LEGAL TENDER ISSUE.

“If the Parliament of this country were to start a printing press and create millions of legal tender notes, and give a grant of them to any individual, I apprehend that grant would make him rich.”

There is not the least doubt of it, but it would be by robbing every creditor, every contractor, every annuitant, and every receiver of a fixed money payment. There is not a mortgagor or other debtor in the country who would not purchase such notes for the express purpose of defrauding their creditors, and they would be willing to share their ill-gotten gains with the privileged individual. But for any other purpose they (the millions of legal tender notes) would be utterly worthless.

BONDS AND DEBENTURES A LIEN ON PROPERTY.

“And if you were to start a printing press and make bonds and debentures, if they are wealth you can make men rich by giving them these bonds and debentures.”

Bonds and debentures, no more than any other pieces of paper, can make no one rich, except in so far as they constitute a lien or mortgage on some property. How much richer is the man who has got a hundred thousand dollars of the bonds and debentures of a railroad company whose road has no existence? Just about as much as is the man who has got the mortgage of a property to which the mortgagor has no title.

VALUE OF MONEY IS WHAT IT WILL EXCHANGE FOR.

“What is the value of money? It is not valuable because it is made of a commodity of value; its usefulness is its value.”

The value of money, like all other useful or agreeable things procured by labor, is the quantity of any one commodity or of commodities in general for which it will exchange. If a \$20 gold coin will exchange for a certain kind of stove, then one of the values of that coin is that stove. There is not in nature a thing more useful than air. It is absolutely indispensable to animal and vegetable life. Without it the earth would be a chaotic waste. Yet it has no value; no one would give anything for a quantity of it, because he can have as much as he wants of it for nothing.

WHAT CONSTITUTES VALUE.

In order that a thing may have value it is necessary that it must have some use, satisfy some desire, answer some purpose, and that labor has been expended on it, either in its appropriation or production. For no one would part with that which answers some purpose and which has cost him labor in acquiring it for what he can get for nothing.

HUMAN LAW CAN CREATE NO COMMODITY.

"Then money is a commodity created by the law."

Human law, no doubt, is meant. Everyone knows that human law can create no commodity. You might legislate till Doomsday, and if nobody ploughed or sowed, reaped or thrashed, ground or baked, you would have no bread.

"A barrel of flour that costs \$10 is no more valuable as an article of food than if it only cost \$1."

The barrel of flour would, in the one case as in the other, be just as useful for the support of life, and so would it be to one who got a gift of it, but certainly not as valuable. Suppose the barrel of flour was only worth a dollar, and that a miller had to exchange flour for a coat worth \$10. In this case one coat would be worth ten barrels of flour. Suppose again that the barrel of flour was worth \$10, then one barrel of flour would be worth one coat. It is needless to ask the miller which barrel of flour he considers the most valuable. The manna of the Israelites was just as useful as if they labored to produce it; and would in their then circumstances be exceedingly valuable if a few of them could monopolize it.

NEEDS EXPLAINING.

Who will explain this?

"The quantity of money regulates its selling price, its marketable value, the same as any other commodity; but it does not regulate its money price?"

What is the selling price of a thing but its money price? (*i.e.*) the amount of money for which it will exchange. If an ounce of gold in bullion was worth more than an ounce in coins, the coins would be melted into bullion. If, on the contrary, an ounce of gold in coins was worth more than an ounce in bullion, the holders of bullion would soon present it at the mint to be coined.

THE CAUSE OF CHANGE IN THE PRICE OF COMMODITIES.

"A dollar of money that would buy twenty pounds of butter is no more valuable than a dollar that would buy ten pounds of butter."

No dollar can perform this function at one and the same time and place, unless that one kind of butter is of very inferior quality, and the other a very superior, or that the owner of the butter is a fool. The temporary fluctuations of the market depend on the demand and supply of commodities in that market. Suppose that through an abundant harvest last year, a barrel of flour sold for \$4, while a yard of broadcloth sold for \$2. In this state of the market a barrel of flour exchanges for two yards of cloth. Suppose that owing to vicissitudes of seasons that a barrel of flour is this year worth \$12, with the cloth at its former price. A barrel of flour will now be worth six yards of cloth, or will exchange for three times as much cloth as last year. In the plentiful year the barrel of flour exchanged for two yards of cloth, in the scarce year for six. It is manifest that the change in the price of flour has not arisen from any change in the value of money, but from the difference of yield between the scant and bountiful harvests. In the abundant year the bushel of wheat cost the farmer, say 60 cents; in the scarce season it has cost him \$1.80. In order to give him equal profit on the same labor and capital in each year, he must get triple the price for the product of the scarce season that he got for that of the abundant one, for by the hypothesis the yield is only one-third.

PURCHASING POWER OF MONEY THE SAME, HOWEVER OBTAINED.

"A dollar of money that takes two days labor to earn is no more valuable for the payment of debt than a dollar that is earned by one day's labor."

Nor is a stolen dollar less valuable for the same purpose. No one labors for dollars except the miners in the precious metals; and ultimately even these, like all others, generally labor for consumable commodities.

THE LAW CANNOT CONVERT A THING OF NO VALUE INTO A THING OF VALUE.

"Well, the law can take an article that is of no value, and by converting it into money, can give it a value."

This statement is ambiguous, and needs explanation. If it is meant that the Government can by its fiat convert a thing of small into a thing of great value, as a piece of nickel worth one cent, which, if made of gold, would be worth \$10, Mr. Wallace is entirely mistaken, as he would find out on presenting it to the first trader. But, if he would say to the trader, "Mr. A, if you accept this nickel coin as if it were gold, I assure you that whenever you or any other person present it at my counter I will pay \$10 in gold," the trader would accept the nickel if he had sufficient confidence in the credit of the issuer to redeem it as promised.

THE USAGES OF CIVILIZED SOCIETY COMPEL NO ONE TO PART WITH HIS PROPERTY WITHOUT COMPENSATION.

"No man can be compelled to sell anything for money, whether it is made of paper, gold or silver ; but, having gold, he may be compelled to take money in payment."

This is as extraordinary as it is senseless. If the law will compel a man to sell his gold for nothing, (for it is presumed that Mr. Wallace refers to inconvertible paper), it can also compel another to sell his wheat for nothing ; and the compulsory process would be much simplified in the case of the wheat, as gold, representing great value in small bulk, is much easier hidden than wheat, and does not deteriorate in concealment.

AN INVARIABLE MEASURE OF ANY MATERIAL SUBSTANCE IMPOSSIBLE.

"A measure to be of any value must be a fixed quantity."

There is no denying that an invariable is much preferable to a variable measure of any kind. But an invariable measure of any material substance has no existence in nature. It is a mathematical conception. There is an invariable measure of time, the sidereal day, or the time which the earth takes in making one revolution on its axis.

ALL EXCHANGE IS BARTER.

"If that is not money, it simply becomes barter, exchanging one commodity of value for another."

All exchange is barter whether money is introduced or not. What is a sale followed by a purchase but barter? If A, a farmer, sells to B, a grocer, 100 lbs. of butter at 20 cts. per lb., receiving therefor \$20, and B sells to A 40 lbs. of tea at 50 cts. per lb., making \$20, is not that barter? But if A, instead of selling his butter to B, sells it to C, a doctor, for the same price, and buys his tea from B as before, it is evident that he is still bartering his butter for the tea. In fact, butter, if not his only, is evidently his most convenient, means at the time of procuring tea. But how with the doctor, is he also bartering, and what has he to barter against A's butter? Not being a miner, nor a capitalist, his only means of subsistence is his skill and labor. He has set a limb for B, and instead of taking tea to exchange with A for butter, he takes money, being more convenient, which again returns to B, through the hands of A. So that all exchange of commodities, disguised as it may, is finally resolved into barter.

A CHANGE IN VALUE OF MONEY DOES NOT CHANGE THE RELATIVE VALUES OF COMMODITIES.

"Money should have no real value ; because its increase in volume may so decrease the value of other articles that they cannot be produced at the price at which they would have to be exchanged into money, and the production would have to stop, because they would not pay for production."

An increase or diminution in the quantity of money does not in the slightest degree affect values, though it does prices. Suppose, on a

particular day, that a barrel of flour sold for \$6, and a yard of broadcloth for \$1.50. It is obvious that a barrel of flour was then worth four yards of cloth. Suppose that next day the money of the community was doubled, say by a miracle, so that everyone who had a coin or a note in his pocket found two there the next morning. All commodities would rise in price; and exactly in the proportion that the circulating medium was increased, so that the barrel of flour which yesterday sold for \$6 would to-day sell for \$12, and the yard of cloth would sell also for \$3. It is at once seen that nothing but money has changed in value. For to-day, as yesterday, a barrel of flour just exchanges for four yards of cloth; and so with everything else. All commodities have risen in money price, but \$1 yesterday would purchase as much commodities as \$2 to-day.

HOW THE SOCIETY ARE AFFECTED BY CHANGES IN THE CURRENCY.

There are other processes besides magic by which the circulating medium may be rendered redundant. Suppose it is done by the issue of Exchequer bills, paid out to workmen, and they remain in circulation. The effect on prices will be the same. All commodities will rise in price in proportion to the addition to the currency. If the currency is doubled prices will be doubled. In both suppositions all creditors will suffer by the depreciation, as well as all persons receiving fixed money payments. But the working classes will, in the latter case, be the greatest sufferers from the inflation. For prices rise much quicker and in greater strides than do wages, even from day to day engagements; and the injustice is still more severely felt under labor contracts. But when the precious metals and convertible paper constitute the currency inflation is checked before much mischief can be done. For so soon as the holder of gold finds its purchasing power diminishing, he will export it like any other commodity; and the exportation will cease only when the price of gold rises to a level with other countries. Nor could the most restrictive legislation prevent the exportation. *E converse*, if the currency is scant, the prices of all things will fall, and that too exactly in proportion to the contraction. But as all values will be alike affected, the change will only be felt in existing contracts, and engagements to pay fixed sums of money. The working classes rather profit by a contraction of the currency, particularly those who have previously entered into labor contracts, for wages seldom fall as quickly as prices; and therefore, while money wages is unchanged, wages in kind or real wages are increased, so that the very opposite effects on the laboring classes are produced by changes in the currency to those fancied by Mr. Wallace. But if the currency is on a gold basis, so soon as it becomes scant the purchasing power of the precious metals having increased, it will be profitable to import them, and accordingly they will be imported until the vacuum is filled up, when prices will attain their normal condition.

COMMODITIES UNUSED PRODUCE NOTHING.

"If you put away \$1 for one hundred years it will only be \$1 at the end, unless the value has been changed by law."

What if it happened to be a paper dollar that was secreted, and the bank burst in the interval? The greater number of valuable things, if put away for that time, would leave nothing but dust behind. So that even in the hoarding process the precious metals have an undoubtedly great advantage over commodities generally.

MONEY ALWAYS VALUABLE.

"A man might possibly [possibly] have in his pockets all the money in the world, and yet it would be of no value until parted with."

Let Mr. Wallace ask the possessor of money convertible into gold if this is his opinion, and I venture to say that he would receive a decidedly negative reply. Here Mr. Wallace, as usual, confounds use with exchange value. Of what use is a warehouse full of cotton cloth to a manufacturer until he parts with it. Everything which a person possesses in excess of his own consumption is useless to him until he parts with it as well as money, but not the less valuable.

A VALUELESS MONEY IMPOSSIBLE.

"A valueless money is a perfect money."

There can be no such thing as a valueless money, for the instant it becomes valueless it ceases to be money. A valueless money means money which has no value in exchange, a thing for which no person would give any commodity. Any kind of money, how much soever depreciated, to continue in circulation, must have some value. The 600 franc *Assignats*, which exchanged for a pound of butter, had still some value left.

PATRIOTISM v. RAG-MONEY. MONEY v. CAPITAL.

"If a man has \$1,000 in paper money, the value of which exists only in the country of its creation, while it may not be worth ten cents outside that country, he has an incentive to support its institutions, in addition to his patriotism, because he knows if the country goes down his money will be valueless. But the man with a \$1,000 of gold in the bank, which he knows will be taken in any part of the world, can readily withdraw it and leave his country if it should get into difficulty; he is not obliged to fight its battles."

Of all the reasons ever urged for changing the currency of a country, this is the most extraordinary and far-fetched. Mr. Wallace seems incapable of seeing the distinction between money and capital. Very few individuals, even in the wealthiest countries, have much of their wealth in money. It is generally in reclaimed land and its improvements, in roads, in railways, in canals, in buildings, in machinery, in materials and in finished unconsumed products. I believe I am within the mark in estimating the whole wealth of Canada at one hundred billions of dollars; and of this there is little over six million dollars in specie, or one-sixteenth-thousandth part of the whole. It is thus seen what an insignificant part of the wealth of a community consists of money. There is, however, little doubt that the substitution of an inconvertible for a convertible currency would keep capital and immigration from the country.

MONEY IS THE INSTRUMENT OF EXCHANGE.

"Money is the motor by which production and commerce is moved."

If Mr. Wallace had substituted "money is the instrument by which products are most conveniently exchanged," his *simile* would hit nearer the mark, for therein consists its sole use.

THE PURCHASING POWER OF MONEY VARIES INVERSELY AS ITS QUANTITY.

"Money, whether of gold, silver or paper, will decrease in purchasing power in accordance with its increasing quantity."

Mr. Wallace here has got a glimpse of the truth. The statement is strictly correct with regard to an inconvertible currency, and would be so likewise of the precious metals if it were impossible to export or import them.

MONEY WHEN EXCHANGED IS SOLD.

"Every time you exchange money you redeem it. If the baker pays it to the miller, or the miller to the farmer, is it not redeemed?"

Most assuredly not. When the baker parts with money for flour, he sells it (money), and the miller purchases it, just as he does the farmer's wheat.

FEATS IN FINANCIAL LEGERDEMAIN.

"It is true I advocate a money that would not be convertible in a Government institution into gold; but it is a money that would be convertible into other things, and empowered by the law to be convertible into everything else, though not redeemable in everything."

To call this style of reasoning sophistry would be dignifying it. It is downright invincible stupidity. How can that which is not redeemable in any given article be redeemable in every article; and as to converting money into anything else but money or bullion is a logical as well as a physical absurdity. Nor does Mr. Wallace inform us who shall be the redeemer. Assuming that he intends the Government. I present myself at the Finance Minister's bureau with a \$10,000 shin-plaster, for which I demand flour. He will tell me that he is neither a farmer nor a miller. I answer, "But, look here, boss, you promise to redeem this here note in everything." "Ah! quite true, my dear sir, but not in any given article. You see flour is a given article, therefore, you are precluded by the very terms of its issue from demanding it; and so with every other thing." Hence Mr. Wallace's *everything* when analysed means *nothing*.

PRODUCTION CARRIED ON BY LABOR AND CAPITAL.

"The worst money of all is a scarce money, because it being scarce stops commerce for the lack of a medium of exchange by which the productions of one man can be exchanged for those of another. Commerce is stopped and production ceases; this I hold is one of the causes of the depression through which we have passed. The scarcity of money prevented the exchange of productions at profitable rates, therefore production had to cease as no man could pay the rate of interest demanded for money."

Production not only would not cease, but must be carried on, though there was not a single coin in the whole world ; otherwise civilized society would soon be decimated by starvation, and speedily relapse to the lowest degradation of savage life—nomadic hunters. So long as production continued, commerce or exchange of commodities would be carried on. The wheels of commerce would not be stopped, only badly handicapped if money were superseded altogether. The difference between the state of commerce with and without a medium of exchange may be compared to the difference between travelling by rail and trudging on foot through a trackless forest.

PROFIT THE EXCESS OF PRODUCTION OVER CONSUMPTION.

Mr. Wallace seems not to understand the very elements of his problem. Profit is the excess of production over consumption. If a farmer has a capital of 1,000 bushels of wheat consumed in the production of 1,200 bushels, then his profit is 200 bushels, or 20 per cent. on his capital. Profit therefore is not the result of exchange, but of production. If I have a barrel of flour which has cost me ten days' labor, why do I exchange it for a coat ? It is because the coat has also cost ten days' labor. It is evident that wheat or other agricultural produce is the only capital which a farmer has, for in the division of labor he devotes his whole time and energies to tilling the soil, nor can he have any other means of profit but the excess of his production over his consumption. Whatever other commodities he at any time possesses are obtained by exchanging some of his own capital (farm produce) for that of some other person who in like manner has produced it. If he wants shoes or coats or hats, he has nothing else to give the shoemaker, the tailor or the hatter for these articles but farm produce, for all his wealth is in that form.

INCONVENIENCE OF BARTER ILLUSTRATED.

We can conceive a civilized community without a medium of exchange, and trace a few of the inconveniences and difficulties that would attend the exchange of commodities by barter. Suppose a farmer wanted a pair of boots ; he would apply to a shoemaker to exchange wheat for boots. The shoemaker may be supplied with wheat enough to meet, at least, his immediate wants, but he may want a stove. The farmer would have to find out a stove manufacturer, who may not want wheat, but may want a coat. The farmer must next seek out a tailor, who in his turn may not want wheat, but may require a hat. The farmer must still seek out a hatter, who may happen to require wheat to exchange with the miller for flour. The farmer, who in this roundabout way having succeeded in finding a customer for his wheat, would find that his troubles were far from ended. He and the hatter must agree on how much wheat was worth a hat ; and having done so, the selected hat may not be of the kind or size which the tailor wanted. Assuming that he took that precaution, the tailor may have no coat of the exact value of the hat ; and even supposing that he had, it may not be the one that would either suit or please the stove manufacturer, who, again, may have no stove of the value of the

coat, and at the same time of the value of the boots. Nor would this be all. Every time that an exchange took place new values would have to be agreed on. The difficulties of barter would be so insurmountable that civilization could make but little progress, everyone would be driven to produce necessities, and division of labor or complex co-operation could scarcely exist; and even such exchange as would take place would be carried on in some sort of a money of account, as is practised amongst many savage tribes. Amongst customs of this kind, one prevalent amongst some tribes of our northern Indians in their dealings with the Hudson Bay Company is peculiar. They count all their transactions in *Martens*. Every article is worth a certain number of martens. A blanket is worth eight or ten martens; a pound of tobacco, two martens; a yard of cotton, one marten; a day's labor, one marten; and so on. The Company, in converting this traffic into currency, value the marten at half a crown, or 2s. 6d. sterling (62 cents).

IN LOANS CAPITAL TRANSFERRED.

When producers borrow, it is not money but capital they borrow; and even when a debtor only wants money to satisfy a debt, it is capital that is really borrowed, for the money carries with it its purchasing power.

THE LATE DEPRESSION.—ITS CONSEQUENCES.

Mr. Wallace entirely mistakes the cause and origin of the depression through which this country passed from 1873 to 1879, or I should rather have said, it is impossible for him ever to comprehend such phenomena until he gets rid of his infantile notions of money and commerce. The period from 1868 to 1873 is often, but very improperly, called a time of great prosperity in Canada. A glance at the obverse or dark side will give a more accurate view of the true state of the social picture, on which will be seen unusual extravagance, rare improvidence and wholesale borrowing. These, I take it, are not usually taken to be the best criteria of prosperity. About this time, owing, probably, to the change in our political institutions, the public mind became unsettled, not unlikely expanding with our increase of population and extension of territory. It is worthy of remark that in framing our constitution we set out with the dangerous precedent of bribing the extremities of the confederacy in joining the trunk, and that in all subsequent attempts at extension this precedent has loomed up like the ghost in the play. Our experience in constitution mongering has also confirmed the well-known physical phenomenon that the extremities of the Confederacy, like those of living organisms, require more care and the expenditure of more vital forces to keep them in a state of healthful warmth, than do the central and life-sustaining members.

The Federal Government embarked in schemes of great magnitude, involving a very large expenditure. The grand era was under the terms of the confederation inaugurated by the construction of the Intercolonial Railway; and one eminent public man, now no more, said that he would build six Intercolonials if the success of the scheme demanded so great a

sacrifice. He must have had a prophetic vision of the C. P. R. The grand era was subsequently extended to the enlargement of the canals, to the acquisition and the settlement of the North-West Territory, culminating under further extension of the confederacy in the still more gigantic scheme of the Canadian Pacific Railway.

Nor did the grand era exhaust itself with these great efforts. It had an eye in every direction for magnificence and extravagance on a great scale. The buildings in which was conducted the outside civil service were not in keeping with our enlarged ideas, so they must be pulled down, and more commodious and elegant buildings occupy their places. So we got new post offices, new custom houses, etc. Nor were the vagabond classes forgotten. They too must have increased elegance and accommodation in stately penitentiaries.

The Provincial magnates were not slow in catching the contagion. They too embarked in schemes, which were just as much beyond their means or their necessities as the larger ones of their prototypes. Railways and other public works were largely aided or entirely constructed from the provincial exchequers. Prisons and asylums were built on a scale of magnificence and folly hitherto unknown. As might have been expected, the contagion spread from the provincial governments to the municipal councils. The old town halls were poor and inconvenient; and were soon replaced by elegant and commodious structures, fitted up with all modern improvements, so that municipal officials may wallow in luxuriousness. From the municipal bodies there was but a short step to the multitude. This step, though short, engulfed the whole population in the vortex of extravagance, fretting and foaming in a cauldron kept boiling by the fruits of borrowing.

The farmer no longer was satisfied with the old homestead, its plain decorations and homely furnishings, nor with the common spring-waggon turned out by the village artizan, in which "Phillis dear" rode to church in days less ostentatious. He must forsooth have a superb mansion, with surroundings æsthetic enough to satisfy the cravings of an Oscar Wilde. Elegantly polished black walnut furniture, a Steinway *grand*, and corresponding internal fittings, with a "top buggy" and fine equipage fit for a "laird," suit the scale of his exalted aspirations. Following the plough has become a degradation. His "boys" must adopt the learned professions, and productive labor must be consigned to menial hands.

Nor did that staid, sober, educated class, the clergy, escape the epidemic. They too got dissatisfied with the old church, its fittings, its ornamentation. It looked mean and shabby beside the elegant mansions of the worshippers who weekly trod its aisles. Taking in the whole situation they concluded that the Lord was entitled to a share in the general borrowing grab. There is not in this or any other city in the Dominion a fashionable church rearing its lofty dome and tapering spire to Heaven but has deprived from fifty to one hundred laborers of the means of permanent subsistence. The Lord be praised! Does this require proof? Then here it is. Let the "fashionable" church have cost \$50,000, while

a church worth \$10,000 would answer all the purposes of the congregation. Here then are \$40,000 unproductively consumed. \$40,000 would employ for a year 100 laborers at \$400 each, so that the laboring classes are not only deprived of \$40,000, but they are deprived also of the annual profits on \$40,000 productively employed, which in a few years would exceed the principal. By every such diversion of capital from productive purposes the working classes are the great, the chief sufferers. In these times labor was relegated to menials or production had to cease. It became a popular axiom that so long as people could live on borrowing it was folly to work.

It is computed that the collective indebtedness of the community, private, municipal, provincial and federal, in these six years was increased by the enormous and almost incredible sum of \$1,000,000,000 being nearly \$250 *per capita* of our present population. It is estimated that the farmers and other borrowers on mortgage security of Ontario alone borrowed no less a sum than five hundred million dollars, the interest of which at 8 per cent. amounts to forty million dollars a year. With such demands on the loan market, it is not surprising that even such good security as farm property realized so high a rate of interest. All these improvements would be highly commendable if made from savings, but most reprehensible when effected by borrowing.

Under this *regime* a farmer, say, borrowed \$10,000 at 8 per cent. per annum. With \$8,000 of this he built a residence, suitably furnished, and provided new equipage. There was left \$2,000 for expending on the farm, in fencing, draining, improved implements and stock. It will be observed that four-fifths of the loan has been spent unproductively, and only one-fifth productively. The interest of \$10,000 at 8 per cent. is \$800. But \$8,000 having been spent unproductively yields nothing, therefore \$2,000 which was spent productively must yield all the interest (\$800) which is 40 per cent., so that in reality the capital productively invested is paying not 8 but 40 per cent. It would be a strong camel's back that could bear the tension of that load. There are numerous cases in which the whole loan was unproductively consumed.

By the introduction of so large an amount of capital distributed as wages and in the purchase of materials, the currency was inflated, commodities of all kinds, labor included, rose enormously in price, importation was stimulated to a degree hitherto unknown, while exportation almost ceased, and a fit of reckless speculation seized the whole mercantile community. So long as borrowing could be resorted to things went on swimmingly. But borrowing, like other human devices, must stop some time. When the lenders cried "Halt!" the farmer began to realize his 40 per cent. interest. He cried ruin and decay, surrendered "the beast for the damage," and many fled to Manitoba and the neighboring Republic. A commercial depression simultaneously occurring in England and the United States aggravated the revulsion here. These countries are our chief customers for lumber, our staple export. Their, and our own difficulties, stopped the home and foreign consumption of that article, paralyzing that important industry,

with millions of capital locked up in the shape of unsaleable lumber in our mill yards, coves and booms. These are the principal causes, and not scarcity of money, which led to the commercial crisis of 1874-79.

CREDIT.

"Scarce money has begotten credit and usury, the two monsters, one of which creates debt, which demoralizes and destroys a man, and the other eats up his subsistence."

Credit means trust or confidence, *i. e.*, in commercial parlance, the confidence which A has in B, if he, A, lends B his capital or any part of it, that B will return it to him at some stipulated time, with generally some compensation for the use of it. Now, in the name of common sense, what has such a transaction as this to do with the abundance or scarcity of money? I ask for credit from a grocer. Why? Either because I have no capital or not enough for my purpose, whether that purpose be personal consumption, production or commercial enterprise. Money might be as plentiful as autumnal leaves in Vallambrosa, but evidently I had not the wherewith to purchase it. So that it is an entire mistake to suppose that credit or usury has anything to do with the quantity of money in the hands of the community. In mercantile countries there is a class of persons possessed of capital who want either the ability or inclination to employ it themselves. There is another class of persons without capital, but with the training and knowledge that would enable them to employ capital advantageously if they had it. These two classes come together and agree to a transference by which this capital laying idle is productively employed. But those who part with their capital not only require some guarantee that it will be returned to them at a stipulated time, but also some compensation for its use, and for the risk which they run in parting with it. And no wonder, for it is well known that it sometimes never returns to the owner. If no inducement was held out to the owner of the capital, it is obvious that he would not part with it, for by so doing he would be not only leaving himself no better off, but far worse; he would be incurring the risk of its total loss.

CAPITAL, NOT CREDIT, CARRIES ON INDUSTRIES.

"Scarcity of money has begotten credit in this way, that there not being enough money to carry on the business of the country, credit takes its place, and the expansion of credit carries on the industries of a country for a while, until, perhaps, some man overstrains his credit and fails."

No industry can be carried on by any expedient but labor and capital; and the industries of every country are limited by these factors. All credit does, or can do, is to transfer capital from one hand to another; and generally from hands unfit or unwilling to employ it to hands more efficient, by which means the wealth of the community is augmented.

CREDIT THE CAUSE OF PANICS.

"I believe that a scarce, fluctuating money is the cause of panic."

The cause of a commercial panic is a great contraction of credit immediately following its inordinate expansion, when a gambling fit of speculation has seized the mercantile community; or it is, in other words, a complete loss of confidence by the possessors of capital in those who desire to borrow; and the remedy is not increase of money, but increase of confidence.

INTEREST—ITS CAUSE.

“Scarcity of money begets usury.”

Interest or usury is the compensation required by the owner of capital for lending or giving the use of it to another person. Its rate depends on demand and supply. When the amount required by the borrowing class is less than the amount in the hands of the lending class seeking investment, the competition of the lenders will reduce the rate of interest. When, on the contrary, the amount required by the borrowers exceeds that seeking to be lent, the competition of the borrowing class will raise the rate of interest.

LENDING CAPITAL AT INTEREST AS LEGITIMATE AND USEFUL AS ANY OTHER CALLING.

“No man can deny that usury is to-day eating up more of the profits of the producer than anything else, and what does it do? It only keeps a lot of men living in idleness, who produce nothing, but eat the subsistence of those who work.”

The owner of lent capital is no more amenable to this communistic charge than is he who, instead of lending, employs it himself in productive industry. For if borrowed for that purpose, it is quite immaterial to the community whether A the possessor of 1,000 bushels of wheat, employs it himself in feeding laborers and providing their necessities, or lends it to B for a like purpose; only with this difference, that B is likely to employ it more efficiently, which is an advantage to the whole community. Indeed, the capitalist who will neither employ his capital himself, nor lend it to another for that purpose is a far greater enemy to the people at large, and to the working classes particularly, than is he who even lends it at the most exorbitant rate of interest that was ever dreamt of. The miser who hoards is the worst enemy of the people; the miser who lends is the benefactor of the working classes. For the lending or transfer of capital sets industries in motion, and gives employment to labor, which otherwise could not be carried on for want of means. It is capital that is always lent. When a manufacturer of shoes, for example, borrows; it is not money, but leather and other materials and instruments and food and necessities for his workmen, that he borrows, for these are the only things which he requires to carry on his business with.

CONVERTIBLE CURRENCY IS NEVER SCARCE.

“Scarce money is always dear money, and every man knows whenever money is dear everything else becomes cheap.”

There is no doubt but the price or money value of commodities depends on the quantity of money in circulation or offered for sale in the purchase of these commodities combined with the rapidity of the circulation. If the currency is convertible, and that the value of the precious metals has in the slightest perceptible degree increased in this country, the gold and silver of the mercantile world will be attracted hither for investment, because it will be profitable to do so; and this will continue to pour in until this currency becomes of the like value with other countries. Just in the same manner as if flour was higher here than in the United States, the flour of that country would pour in here until prices are equalised, cost of carriage excepted.

WAGES IN KIND IMPORTANT TO THE LABORER.

"We have had an illustration of this in this country during the last four or five years. Money was scarce and labor was low and the country was in a depressed condition."

I have explained above the phenomenon through which this country passed during the depression, to which may be added an unusually large share of the circulating capital of the country was converted into fixed capital. This circulating capital is the wage-fund, and by whatever amount reduced, by so much is the fund for the sustenance of labor diminished and the means of the laborers curtailed. In consequence of this reduction, the laborer and his family are unable to live up to their usual standard of comfort, and each laborer's competition for a share of the reduced fund adds to the depressed condition of the lowest strata, who are often reduced to the very verge of starvation. In illustration, suppose the circulating capital of this country, in its normal condition, is \$200,000,000, divided amongst 500,000 laborers, giving an average to each of \$400. If this fund, by the conversion of a portion of it into fixed capital, as railways, buildings, etc., is reduced to \$150,000,000, while the number of laborers remains the same, the average share of each laborer is reduced from \$400 to \$300 a year.

But this has nothing to do with the amount of money in the country or in existence. During the depression there was the same facility there is now for acquiring money, if there was any way of using it. The quantity of money in circulation has no effect on wages. The wages of the laborer is the share which he receives of the product of his labor. This and nothing else constitutes his remuneration. If a farm laborer gets a hushel of wheat or other equivalent of farm produce, which is the only thing which the farmer can give him, for a day's labor, whether the bushel of wheat is worth one or two dollars matters not to the laborer, if the price is influenced by the quantity of money in circulation, for all other commodities will be affected similarly. For example, if the quantity of the circulating medium seeking investment in the market of commodities were suddenly reduced one-half; the price or money value of all things would fall one-half,—in other words, the bushel of wheat which sold yesterday for \$2 would sell to-day for \$1; the lb. of tea which sold yesterday for \$1

would sell to-day for 50 cents ; the coat which yesterday sold for \$10 would sell to-day for \$5 ; the day's labor which sold yesterday for \$2 would sell to day for \$1, unless under contract. It is, however, manifest that the dollar of to-day for the purchase or transfer of commodities is as efficient as the \$2 of yesterday, and that nothing but money has changed its value ; and that beyond existing contracts and fixed money payments no one is affected by the change except miners in gold and silver, who now get a double quantity of all other commodities in exchange for the only one which they produce, and, therefore, have to sell.

MAN MAKES HIS LIVING BY HIS LABOR OR CAPITAL.

"Money is now abundant and cheap, and men must employ their money to get a living."

It is not money that men employ to get a living. The capitalist employs his capital and his labor too, if he superintends the business, to get his living, and the workman employs his labor for a like purpose.

PEOPLE MANUFACTURE MORE TO BUY MORE.

"The National Policy and the compelling of the people to manufacture more and buy less, was one of the causes ; but one of the principal causes is the increased quantity of money in circulation."

People do not manufacture more to buy less. Is not the effect the very contrary ? The more you produce the more you can purchase. Every increase of production augments the purchasing power of the society.

PROTECTION.—SOME OF ITS CONSEQUENCES.

If a country has an advantage in the production of any one article forming the staple of the necessities of the people, if that country directs its whole capital to the production of that one article, it could purchase more of all other things than if its capital were diverted into a thousand different channels. To illustrate this, I will suppose that the normal condition of Canada as respects soil, climate and means of communication, the skill, dexterity and industry of her inhabitants, or the efficiency of her labor, are such that it was indifferent to her whether she produced all her requirements directly, or only produced some, with the surplus of which she supplied the rest through the double process of exportation and importation. Under these circumstances, I will suppose she gives a preference to producing all within herself, and, as it is called, "promote her industries." Consequently she could neither export nor import. I will further suppose that the capital invested in all her industries, reckoned in money, is \$100,000,000, of which one-half, or \$50,000,000, is invested in agriculture and the rest in manufactures, and that the expectations of profit in these occupations are 10 per cent. We will further suppose that the agricultural class, after supplying their own wants had \$25,000,000 of farm products to exchange with the manufacturers for manufactured commodities.

Suppose now that while the soil of all other countries retained its normal fertility, that of Canada, say, by a miracle, is doubled, so that it

labor which formerly produced one bushel of wheat now produces two. This increased fertility gives Canada a great advantage over all other countries in the production of all kinds of farm produce, and the advantage not being common to other occupations, she can keep to herself the whole benefit, just as a patentee can engross the whole profits of his invention. For the price of food will still continue to be regulated by the cost on the best fertile lands, which the demands of the population require to be cultivated. By the change the capital of \$50,000,000 invested in agriculture will be doubled, and the profits of the agricultural class will also be doubled while the whole wealth of the society would be at once increased from \$100,000,000 to \$150,000,000, assuming no change to have taken place in manufacturing pursuits. How will the change affect the manufacturing class? They will one and all be driven from their employments. This will be brought about in two ways. 1st. The agricultural class will now have not \$25,000,000, but \$75,000,000 worth of farm produce to exchange for manufactured commodities, of which \$25,000,000 will be required, as before, to feed the manufacturing classes. But will the farming class consent to continue to feed them still on the old terms? Most assuredly not, for if they did they would be foregoing a legitimate profit on the \$25,000,000 worth of produce which was devoted to that purpose, as is evident from the following considerations:—The breadstuffs of Canada being produced at half the cost of that of other countries, the people will get all their imports at half-price, for the cost of the imports to the importers is not the cost of production of the imported article, but the cost of production of the exported commodity with which they were purchased. Hence the agricultural class will not only have three times as much as before to spend on manufactured necessities and luxuries, but they will get all their commodities for one-half what they formerly cost, so they will be enriched six-fold. But if they traded with the home manufacturers on the old terms they would be losing a considerable share, exactly one third, of this advantage. It is plain that they will not do so, and consequently as the manufacturers must by some means procure their usual food, they will be driven by the competition of the importers to sell their commodities for one-half of the old price. Here we have an illustration of that great grievance, the so-called “slaughter market,” about which so many crocodile tears have been shed. 2nd. Another reason why manufacturing would be abandoned is: Capital is always flowing towards those employments which promise the greatest expectations of profit. The manufacturing capitalist could not content himself with 10 per cent. profit while the agriculturist is making 20 per cent. Therefore he would withdraw his capital from the less to the more profitable employments, even if the underselling process did not operate at all. It is obvious that it would be in the interest of the whole community that this transfer of capital should take place. For with the whole capital transferred to agriculture, the wealth of the country, would amount to \$200,000,000, with a profit of 20 per cent., while if manufacturing was continued, the entire wealth would be only \$150,000,000, with a profit of 20 per cent. on \$100,000,000, and only 10

per cent. on \$50,000,000 ; or in other words the society would be poorer by \$50,000,000 capital, and the profit of 10 per cent. on \$100,000,000.

Suppose now that the manufacturers, instead of abandoning their pursuits, appealed to the Legislature for protection to their industries on any one of the numerous patriotic and philanthropic "stock-in-trade" pleas of the advocates of restrictions on importation ; and that the Legislature favorably entertained their petition, it is pertinent to inquire what amount of protection would enable them to compete with foreign goods ? The purchasing power of the agricultural class over and above their share of farm produce for their own food has been shown above to be equal to \$75,000,000. If a tax of 100 per cent. is laid on that it reduces their purchasing power to \$37,500,000. But before the increased fertility their purchasing power was only \$25,000,000, so that notwithstanding this enormous tax they are still better off by \$12,500,000 than before the change in the soil ; and therefore commodities will still continue to be imported. At a duty of 150 per cent. the agricultural class will, as to their purchasing power over manufactured commodities, be in the same position as they were in before the change of fertility, but it will be still their interest to import ; and they will continue to import, on account of their increased profits, until the duty exceeds 200 per cent., after which the home producers will have a monopoly of the home market. Mark the consequences. Foreign goods having been driven out of the market, importation must cease and with it exportation. For the foreign customer cannot purchase our produce if we refuse his ; there can be no exchange, he having nothing else to give us for our flour or beef but his cloth or hardware. Owing to the increased fertility one-half of the land must go out of cultivation ; and one-half of the agricultural population and capital must go too, and find a refuge in the only employment left them—manufacturing, unless the capital and population migrate to some other place more congenial to their pursuits. The latter alternative would be the worst of calamities that could befall the society. Assuming no emigration from the country of either labor or capital (three-fourths of the capital would be invested in manufactures, and only one fourth in agriculture. But the profits of the agriculturists being still 20 per cent., while that of the manufacturers was only 10 per cent. capital would still flow in until profits were reduced to a common level. So that by the imposition of the tax the society would again be reduced to its original condition ; and the beneficent designs of Providence frustrated by the perversity of an ignorant Legislature.

It will be argued that the competition of the manufacturers themselves will bring down prices and reduce profits. The manufacturers will not be content with a less profit than other capitalists ; and no amount of competition will reduce it below that, for rather than submit to a diminution they would withdraw their capital from the underpaid industry, and invest in some other way.

In whatever proportion a country has an advantage in the production of any one commodity, by the imposition of a protective duty is that advantage by so much annihilated, and the whole society impoverished.

Suppose that instead of the fertility of the soil being miraculously increased, its natural fertility was such that it gave an advantage in any proportion over the soils of other countries in the production of agricultural products, just in that proportion would it be the interest of Canada to turn her capital to agricultural production. For by so doing the collective wealth of the community would be greater; and we would obtain all other commodities, in which our advantage was less, cheaper, and consequently in greater abundance. In a free, unrestricted state of trade, capital would flow from the less to the more profitable employment, and the whole society would be better off. Suppose that our farmers, from situation or fertility of soil, had such an advantage over their brethren of the United States as would enable a Canadian farmer to lay down in Liverpool five barrels of flour for the same labor that it would take an American farmer to lay down four barrels. The Canadian exporter would have an advantage of 25 per cent. over the American, or in other words, his profit on every barrel of flour would exceed that of the American by 25 per cent., and he would get all his imports 25 per cent. less than the American farmer, giving a total advantage over his rival in the same market of 50 per cent. If a tax on importation was laid on, the foreign commodity would not be driven from the home market until the tax exceeded 50 per cent. Then exportation, and with it importation, would necessarily cease, and the home manufacturer would be in complete possession of the home market. This will be at the expense to all the rest of the community of 50 per cent. additional cost. To say that the manufacturers will not profit to the full extent of their privileges, and that the increased duties hurt nobody, is the merest rot. If so, why stop at 30, 40 or 50 per cent? Why not make it 1,000 per cent. if it makes no difference to the consumers? If there is any article of production in which we have an advantage over other countries, that commodity needs not protection, and it is the one to which all our labor and capital should be directed, and to which it would spontaneously gravitate in a state of freedom.

Suppose, now, that Canada has not an advantage over any one country in any article of production, but that her disadvantages are in different degrees. It will, nevertheless, be to her interest to cultivate those industries in which her disadvantages are least, by which the efficiency of her labor will be the greatest, by which she shall have all her other productions at the least expense of labor and capital, and therefore have the greatest amount of them, or in other words, she will be wealthier than if producing the most disadvantageous kinds, either freely or by protection.

THE NATIONAL POLICY'S DOINGS.

What, may I ask, has the National Policy done? What has been its social effect? Its advocates claim that it has brought on good times, made work abundant, that prices of all commodities are high and trade booming. The evidences of reviving prosperity are not far to seek, they are visible on all sides. One of them, however, is not *high prices*. But to claim that these signs of improvement are due to the National Policy is all moonshine. In

all commercial countries revivals and depressions of trade follow one another with the certainty and almost the regularity with which day succeeds night, or ebb succeeds flow. Is it to the National Policy that we owe the increased prosperity of the lumber trade, our most important, our staple industry? Is it not rather to the increased demand in England and the United States? Is it to the National Policy the farmer owes the good crops of the last three or four years? Is it to the National Policy that he owes the increased price of flour and beef, or to the demand in the English market? Is it to the National Policy that the agriculturist owes the high price of potatoes and other root crops, eggs, butter, etc., or to a scant crop and brisk demand in the United States? But to the National Policy is fairly due the increase to the working and farming classes of such absolute necessities of life as light, fuel, clothing, sugar, furniture, implements of husbandry and the tools of artisans. In the working class I include farm laborers, mechanics of all kinds, miners, fishermen, navvies, professional men, and all others who earn their subsistence by the labors of head and hands.

Every farmer knows that with an abundant harvest, here and a scant one in Europe, raising wheat from a virgin soil is one of the most profitable of industries. Every workingman knows that activity in lumbering and farming is the best guarantee of steady and remunerative employment. The success of these industries stimulates all other improvements, as railroads, buildings, etc., which enlarge the demand for labor for mechanics and merchants. The revival of these staple industries is quite sufficient, now as of yore, to account for the increased prosperity visible all round. Nor is there any room for the share of the National Policy in the revival, nor any necessity for inventing any such contrivances. But to the National Policy is fairly due the increase to the working, farming, and other classes outside the protected manufacturers, in the cost of such prime necessities of life as fuel, light, clothing, bedding, sugar, furniture, implements of husbandry and the tools of artisans.

Is nothing then due to the National Policy in the general revival of trade? In so far as that policy has been instrumental in the introduction of foreign capital for permanent investment in this country, which otherwise would not come, by so much has its results been beneficial; and this is all the advantage that can fairly be claimed for it.

When the advocate of protection is *hors de combat* in argument, he points to the greatness of England as a signal result of protection. He takes care, in this appeal to sentiment, to exhibit only the sunny side of the shield. He carefully ignores the dark side. He omits all mention of the gaunt poverty, the brooding despair, the squalid misery which trace its footprints on all sides, and made still more odious and intolerable by the contrast with the immense wealth of the few. He keeps the poor-house, the gin-shop, the garret and the prison out of sight. Is this a wholesome example to follow?—

“Where wealth accumulates and men decay.”

It is in the abolition of protection that the best hope of English re-

generation lies, by which the evils which it has engendered may be eradicated before the superstructure, raised on so treacherous a foundation, may topple over, bringing chaos in its train.

If protection in Canada should be followed by similar results as in Britain, Canadians may well pray ;—"From protection, Lord, deliver us."

The worst effects of a protective policy is its tendency to make the rich richer and the poor poorer. Unequal distribution of wealth is the great danger which threatens social institutions. It is the burning question of the age. It is on the solution of this great economic problem depends the success or failure of the existing social fabric. It is the duty of true Conservatism, if it cannot remove, to temper the great inequalities between the extremes of society, to soften those startling contrasts between excessive luxury and squalid misery, which form so painful a feature of modern civilization. If legislators are unable to grapple with this task, to find a remedy for this great social scandal, then the system itself is judged, and stands condemned as a nuisance.

"THE SLAUGHTER MARKET."

A word on the "slaughter market" grievance. The interest of the consumer is the public interest. The interest of the seller is always antagonistic to that of the purchaser. The seller is invariably the producer or distributor ; the purchaser is ultimately the consumer. When a producer or dealer has a warehouse full of goods unsold, he is always grumbling about hard times and the scarcity of money. But the secret burden of his refrain is disappointment at the diminution of his profits. If a foreign competitor is underselling him, he cries ruin, but what really occurs is that his profits are reduced, while his grief is cause of rejoicing to the community collectively. For what does this terrible *under-selling* process mean ? It means, when all is told, that a poor man can buy his necessities cheaper than the wealthy capitalists would wish he could get them for. Suppose that the Americans, during the slaughter excitement, sent over their goods here and distributed them gratuitously amongst the people, would anyone call that an evil ? Would it not be the most munificent generosity ? Well, suppose that instead of giving them for nothing, that they gave them for one-half what similar commodities could be obtained from the home dealers, is that an evil to be deplored ? Is it not, on the contrary, a great blessing, differing only in degree from the first supposition ; and if there is one time more than another when this is a blessing to the poorer classes it is in times of depression. Suppose, coming on winter, that I want an overcoat, and that owing to commercial difficulties my means of purchasing it has been considerably reduced, so that if I am compelled to buy it from the home dealers I may go without or have to take a very inferior article. Will any one pretend to say that it would not be a great boon to me to get a coat of good quality of foreign manufacture for the same or less price than an inferior one of home growth would cost me ? I take it to have been in some respects a most fortunate thing for this country, in its last commercial crisis, that accidentally a similar

trouble existed amongst our neighbors, for we were enabled to get many things which we would have had to have done without, if our neighbors' necessities had not compelled them to sell their goods at such low prices; for, in ordinary times, we could not purchase them at such rates; and by whatever the cost exceeded the selling price, by so much was our wealth increased or our wants better supplied than they otherwise would have been.

CREDIT THE CHIEF CAUSE OF PANICS.

"I hold that if there were no credit there could be no panics."

There is no doubt but the state of credit, and not the state of the currency, is one of the chief causes of commercial revulsions. Speculative trading, stimulated by great facilities for obtaining credit, undue confidence by lenders, followed by a sudden curtailment of credit, are prime factors in the phenomenon. But the quantity of the circulating medium has no share in it.

THE LOSS THE DISSIPATION OF THE CAPITAL.

"A man might lose all he had in speculation, but his loss would not create any disturbance. It would injure him, but the money would have passed into the pocket of some one else. There would be no loss of money to carry on business with. But you take the failure of a man who is carrying on business at credit; his failure hurts someone else, and thus disturbs the trade, and the disturbance creates a panic."

The same confusion pervades all Mr. Wallace's reasoning on this important branch of political economy. He cannot distinguish between the extinction of capital and the transfer of the medium of exchange. Suppose a capitalist undertakes the construction of some work of public or private utility, and that after spending all his capital the work is abandoned in an unfinished state, like the celebrated *Chats Canal*, does that hurt nobody but the owner?

The capital is dissipated, gone for ever, except whatever portion may happen to be saved by the laborers who received it, or by the producers of materials as profits. A person cannot both eat his cake and be able to transfer it to another. The capital lost in speculation, no matter whether owned by the speculator himself or lent him by another, is gone, dissipated, lost for ever; and the loss of the community is the same, whether the dissipated capital is owned by the spendthrift himself or borrowed. According to Mr. Wallace's reasoning, the capital—as champagne, oysters, etc., consumed at a vice-regal dinner—instead of being dissipated, would be only transferred, and be so much added to the wealth of the community. From this doctrine necessarily follows the corollary:—*The greater the extravagance the greater the prosperity.*

EXCHANGE MAY BE CARRIED ON BY CHEQUES.

It is easy to conceive a condition of society by which its industries might be carried on without the intervention—nay, the existence—of a single coin or its representative paper. Suppose that we had one banking

institution, say a Government department, with a branch in every city, town, village and hamlet throughout the country, and that each capitalist, trader and laborer of the community had an account in it, and that all payments were made by cheques, there need be no money in existence as far as that society was concerned, nor would the machinery for carrying it out be either impracticable or cumbrous. There would be some deviations from existing bank routine. For public convenience it would, like the post office, have to be kept open from 7 a.m. to 8 p.m. each day to facilitate the convenience of work-people to do all their banking transactions after their ordinary working hours. Deposits and cheques could be entered each day, and to prevent frauds it might be a safer rule to require that all cheques be marked "*good*," and payable to the order of the drawer himself. The telegraph and telephone would enable persons having deposits in one branch to draw at another. In country districts the branch could be managed in connection with the post office, if the telegraph and telephone also were conducted by the public. By this method all transactions, great and small, could be managed by a transfer of accounts in the books of the bank.

A PORTION OF THE NATIONAL WEALTH DISSIPATED.

"It was not because there was less wealth in the country, not because the productions of men were less required, because there were as many men to feed, clothe and house as in previous years, but they could not get anything to eat, comparatively speaking."

Without stopping to enquire what kind of eating is *comparative eating*, a beggar, no less than a prince, stands in need of food, clothing and shelter, though he has often to go without for the want of means to procure them. There is not the least doubt but a very appreciable amount of the national wealth was dissipated during the late depression, besides what was converted into fixed capital.

A NOVEL METHOD TO PREVENT PANICS.

"I hold that the way to prevent these panics is to make money upon them."

And, pray, how can that be done? This, surely, is the most novel way yet of making money—*upon panics*. But Mr. Wallace knows how, as his context shows. He continues:—

"I say by the Government making it, for the Government can alone make it, and paying it out for the public works we carry on, and for the services rendered to the Government, and the supplies furnished to the Government, making it a public duty to pay for value received (?) until money is as it ought to be, the cheapest thing in the country, until a man could not live by loaning money, but would have to go to work and earn his money as the toilers do."

As I said above, no one but the miners work to produce money or its constituent, everybody works to produce consumable commodities. As before remarked, there is no such class in a civilized society as money-lenders, and therefore no man can make a living by lending money. It is capital, not money, which is lent. Suppose the Government issued notes,

which is, no doubt, the kind of money referred to by Mr. Wallace, of any denomination you please, as fast as a printing press could strike them off, and distributed them indiscriminately to all classes, until they became so abundant that every housewife in the land could each morning light her fire with a handful of \$1,000 bills, it would not have the slightest effect on the rate of recompense paid a capitalist for the use of his capital. Without compensation he would not part with it, and to prevent that compensation being given by penal legislation or other restrictions would be the most direct and fatal blow that could be aimed at the prosperity and development of any country under existing social relations. If capital is being rapidly accumulated and abundant, the rate of interest or compensation will be small, if it is scarce or the security doubtful, the rate of interest will be proportionately high.

GOVERNMENT BONDS A LIEN ON THE COMMUNITY'S WEALTH.

"I think that the Government of this country can save the people of this country on the \$32,000,000 of bank circulation. There is no money afloat by paying out for the services rendered to their circulating notes that the people want to do business with, and save the interest that is paid on the \$32,000,000 of bank notes that are put in circulation, that are necessary for carrying on the business of the country. When the Government go to Great Britain to borrow money, what do they take? They take paper, they take the bonds of this country, over there and get money for it."

When a borrower, A, receives capital from a lender, B, A usually transfers to B in return a share in his (A's) interest in property owned by him on certain conditions set down in a piece of paper called a mortgage. Everyone knows that the paper is worthless, except as an abstract of the conditions of contract, so with the Government bonds. They constitute a lien on the entire wealth of the state, which the sheriffs, in their respective bailiwicks, would collect under the direction of the judiciary, if not otherwise provided for.

GOVERNMENT LOANS WOULD RAISE INTEREST.

If this Government proposed to raise its loans at home, it would so greatly raise the rate of interest against all other borrowers that every industry would stand in danger of being paralysed, if additional supplies did not pour in from other countries. I presume that the reason the Government go to London to float their loans is in expectation that they can borrow cheaper there than here. If they did not go there, it is probable that some of the London capital seeking investment would, on hearing of a Canadian loan, be sent hither for that purpose, but as the amount would be much less than in the London market, causing the competition of the lenders to be proportionally less active, the rate of interest would be higher. Therefore, it is not only in the interest of the taxpayers generally, but of borrowers, *i.e.*, all producers, particularly, that the Government should contract their loans in the cheapest market, because (1st) the taxes will be less, and (2nd) the productions of the country increased. In so far as the interest of the loan is so much abstracted from the annual income of

the society, that would be so whether the capital was sent here for investment or the Government went where it was, with this difference, that the efflux would be greater if borrowed at home.

Mr. Wallace, perhaps, means that the required loan should be borrowed from our own capitalists without the introduction of foreign capital. Such a policy is impossible, and if attempted could not fail to be a most disastrous experiment in financiering. There is not capital to spare in this country; if there was we would not be borrowing in foreign markets.

Suppose that the Government floated a loan in the home market for \$10,000,000 for the purchase and equipment of a navy, and the competition was limited to home capitalists. It is obvious that this large sum must be withdrawn from existing employments, for we have no capital to spare, no hoards, no unemployed capital to fall back upon. This would greatly depress labor if foreign capital did not flow in to fill up the vacuum, or if a proportional number of laborers did not join the marines. Mr. Wallace will answer the capital has only changed hands, the money is only transferred from one hand to another, and still remains in the country. This is looking at one side only of the picture. It is true that the capital is still in the country in the form of ships, machinery, tackle, etc. It has been withdrawn from the wage fund and consumed unproductively.

THE GOVERNMENT MAY ISSUE THE CURRENCY.

There is no doubt but the Government might legitimately take to itself the issue of the whole circulating medium, without detriment to the society, nor yet without any very signal advantage. The public benefit would consist in saving the interest on the gold or other securities held as bank reserves, if the Government were absolved from that necessity. Or the Government might charge two or three per cent. on all bank issues above their reserves and other securities. It is also practicable for the Government to issue legal tender or inconvertible notes without endangering their depreciation, but this subterfuge would confer no other advantage than the interest on the gold reserves for the redemption of convertible currency.

MISTAKEN NOTIONS ABOUT WEALTH.

"Again, why is it that we who have more wealth in this country than England have, however, to go to England to borrow money? Do not all our fertile lands, our forests, our minerals, constitute wealth?"

Had not the aborigines these same fertile lands, forests and minerals? yet they have never been accounted a very wealthy community. Were they not, and are they not still, in the midst of all this so-called wealth the most wretched of the human race?

USE ALONE DOES NOT CONSTITUTE VALUE.

"A man would give all the gold in the world, if he had it, for a loaf of bread when he was starving, or a drink of water when he was a thirsting."

To which Mr. Wallace might have added, and for a mouthful of air if confined in a dungeon from which the air was excluded, or if drowning.

But would that lessen the value of the gold in the hands of the new possessor? We all know that the finding of a treasure of gold would be of no use except for ornamentation to a tribe of savages until they held communication with a civilized community. But the instant that happened their treasure would be of great use and value to them, and might be the means of bringing them into a high state of prosperity and civilization, though not invariably.

CONCLUSION.

The Finance Minister while repudiating the bantling, eulogizes its sponsor, thus :—

“Sir LEONARD TILLEY. The hon. mover of this resolution spoke at the close of his remarks of the imperfect manner, as he was pleased to say, in which he had presented his case. Now, it is perhaps doubtful if there is any other gentleman in the Dominion of Canada who has given this subject more consideration, who understands the subject better, or who could present it in a more forcible manner than the hon. gentleman himself.”

Such soft-solder is not only nauseating, but mischievous. If Mr. Wallace has given the subject much or any consideration, all that can be said is that it has been expended to little purpose ; and as for understanding it, he does about as much as a “monkey” does Sanscrit.





